

SECTION 7000 ENTERPRISE ZONE EMPLOYEE WAGE CREDIT

References 17053.75, 17053.9 (Repealed)

For each taxable year beginning on or after January 1, 1984, a credit is available to "qualified" employees, who earn "qualified" wages. The credit is equal to 5% of the employees "qualified" wages for the year. The maximum credit may not exceed \$525.

EDAM 7100	QUALIFIED EMPLOYEE
EDAM 7200	QUALIFIED WAGES
EDAM 7300	CREDIT LIMITATIONS & INCOME LIMITATION
EDAM 7400	CREDIT USAGE AND CARRYOVER
EDAM 7500	ENTERPRISE ZONE EXPIRATION

7100 *Qualified Employee*

A qualified employee is one that meets all of the following requirements:

1. At least 90% of the employee's work time is spent on activities that are directly related to the conduct of a trade or business within an EZ.
2. At least 50% of the employee's work is performed within an EZ.
3. The employee is *not* an employee of the federal government, the state of California, or a local government.

For information about the geographic boundaries of an EZ, refer to EDAM 2100.

7200 Qualified Wages

Qualified wages are those wages attributable to services performed by a qualified employee that do not exceed \$10,500 for any taxable year. Qualified wages do not include compensation received from the federal government, the state of California, or a local government. In addition, qualified wages do not include any wages received on or after the date the EZ designation expires, is no longer binding, or becomes inoperative.

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7300 *Credit Limitations & Income Limitation*

EDAM 7310	Credit Limitation
EDAM 7320	Zone Income Limitation

The information provided in the Franchise Tax Board's internal procedure manuals does not reflect changes in law, regulations, notices, decisions, or administrative procedures that may have been adopted since the manual was last updated

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7310 Credit Limitation

The maximum amount of qualifying wages is \$10,500. For each dollar of income received by the employee that is in excess of the qualified wages (\$10,500), the credit shall be reduced by nine cents (\$0.09).

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7320 Zone Income Limitation

For each eligible taxable year, the credit may only offset taxes due on the income earned within the EZ.

7400 Credit Usage and Carryover

This credit may not reduce regular tax below the tentative minimum tax (TMT).

There are no carryover provisions for the EZ Employee Wage credit. Any unused is not refundable and the credit may not be carried over to succeeding tax years.

7500 *Enterprise Zone Expiration*

Effective October 14, 2001, a portion of the Mid-Alameda Corridor EZ, City of Lynwood expired. The EZ employee wage credit is available for qualified employee on qualified wages *received* on or before October 14, 2001.

NOTE: The statute specifically provides that wages “received” are eligible for computing the employee wage credit. CR&TC §17053.75(a) “Received” does not include accrued wage amounts, or those amounts paid but not actually or constructively received by the employee.